

General Rules for EDA Grant Recording:

Generally Accepted Accounting Principles require that capital grants or share revenues restricted for capital acquisitions or construction (other than those associated with enterprise and internal service funds) be accounted for in a capital projects fund (Fund 30). EDA Grants are capital grants. The following is a summary of procedures to be followed for EDA Grants.

1. As stated in the regulations, the EDA grants (except for some retroactive grants received for projects that were fully locally funded and completed in 00-01 as explained in (4) below) plus the local support are to be recorded in the capital projects fund (N.J.A.C. 6A:26-4.1(a) and (b)).
2. If a non-referendum project receives an EDA grant, per regulations, the grant must be accounted for in Fund 30 and the transfer of local funding sources (capital reserve, capital outlay) to Fund 30 should occur upon execution of grant agreement. (N.J.A.C. 6A:26-4.3(a) and (b)) (Example 1)
3. If the capital project is approved via referendum question, upon voter approval of referendum, which should have included all other local funding sources (e.g. capital reserve, surplus), any local sources identified in the question should be transferred to Fund 30. Upon issuance of the bond, bond proceeds would be recorded, along with the local funding sources, and EDA grant in Fund 30. (N.J.A.C. 6A:26-4.1(d)) (Example 2)
4. For capital projects eligible for retroactive grants that were fully funded locally (Fund 12 and/or Fund 20 - early childhood program aid – no referenda question) and completed in 00-01, the EDA retroactive grant is to be recorded in the corresponding fund that originally funded the project.
 - If completed in 00-01 using capital outlay and/or early childhood program (ECP) funds, the grant should be recorded in Fund 11 as miscellaneous unrestricted state aid with a transfer to Fund 20 (general fund transfer) of the proportionate share of the project paid from ECP monies. (Example 3)
 - The department encourages the use of an EDA retroactive grant for capital outlay reimbursed projects completed in 00-01 to deposit into capital reserve in 01-02 or for use as tax relief in 02-03. (Example 4)
 - EDA retroactive grants reimbursing early childhood program funds must be used for early childhood programs and services in Fund 20.
5. For capital projects eligible for retroactive grants where the anticipated amount of the grant was funded with bond anticipation notes and the local funding source was capital outlay, the EDA Grant is to be recorded in Fund 30 to repay the notes. (Example 5)
6. For retroactive grants received for referenda approved projects, the grant should follow general rules for recording and accounting for EDA grants in Fund 30 as described above in 1-3 and under the regulations. (N.J.A.C. 6A:26-4.1 et seq.).

Account Numbers Used:

*** 30-3255-000-Additional State School Building Aid – EDA Grant**

Revenue line used in the Capital Projects Fund to record the grant.

30-5200-000-Interfund Transfer

Revenue line used in the Capital Projects Fund to record the transfer of local support amounts (capital reserve, capital outlay amounts budgeted for local support).

30-000-4XX-XXX

Appropriation lines used in the Capital Projects Fund.

*** 12-000-400-931-Capital Reserve Transfer to Capital Projects**

The appropriation line in the Capital Outlay Fund to record the transfer of capital reserve amounts to the Capital Projects Fund.

*** 12-000-400-932-Current Capital Outlay Transfer to Capital Projects**

The appropriation line in the Capital Outlay Fund to record the transfer of current budgeted capital outlay appropriations to the Capital Projects Fund.

***New Account Numbers**

Accounting Entries:

Example 1: Local support amount is being funded with capital reserve and current year capital outlay appropriations (no bonding):

On July 15th a district receives and signs an EDA Grant Agreement for \$100,000 to aid in the renovation of one of the wings of the elementary school. Part of the local support amount is coming from current year capital outlay appropriations (\$100,000), and part (\$300,000) is being funded by capital reserve withdrawal. The district has met all regulatory requirements regarding facilities and deposits and withdrawals from the capital reserve. The entries for capital reserve deposits and withdrawals are illustrated in the recently updated Capital Reserve Account section of the GAAP Technical Manual and are not repeated here.

The following entries are made to record the budgeted local support amounts and the subsequent transfer of the funds to the Capital Projects Fund:

The district budgeted the capital outlay appropriation and the capital reserve withdrawal in its annual budget certified for taxes. On July 1st the district records the budget as follows:

July 1st

- To record the budget in the **General Fund**:

Dr. Budgeted Fund Balance (10-303)	100,000	
Dr. Budgeted Withdrawal from Capital Reserve (10-307 or 309)	300,000	
Cr. Appropriations (10-601)		400,000

General Fund Postings:

Expenditure Ledger – Appropriations		
Capital Reserve Transfer to Capital Projects (12-000-400-931)	300,000	
Current Capital Outlay Transfer to Capital Projects (12-000-400-932)		100,000

After signing the EDA Grant Agreement, the district makes the following entries to transfer the funds to the Capital Projects Fund.

July 15th

- To record the transfer of funds to the Capital Projects Fund:

Dr. Expenditures (10-602)	400,000	
Cash (10-101)		400,000

General Fund Postings:

Expenditure Ledger – Expenditures		
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Capital Reserve Transfer to Capital Projects (12-000-400-931)	300,000
Current Capital Outlay Transfer to Capital Projects (12-000-400-932)	100,000

- To record the budget in the **Capital Projects Fund**:

Dr. Estimated Revenues (30-301)	500,000	
Cr. Appropriations (30-601)		500,000

Capital Projects Postings:

Revenue Ledger – Estimated Revenue Additional State School Building Aid- EDA Grant (30-3255-000)	100,000	
Interfund Transfer (30-5200-000)	400,000	
Expenditure Ledger - Appropriations Construction Services (30-000-401-450)		475,000
General Supplies (30-000-401-610)		25,000

- To record a receivable for the EDA Grant:

Dr. Intergovernmental Accounts Receivable- State (30-141)	100,000	
Cr. Revenues (30-302)		100,000

Postings:

Revenue Ledger – Actual Revenue Additional State School Building Aid- EDA Grant (30-3255-000)		100,000
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Entries during the year to record the encumbrance of funds when contracts are let; the expenditures made when invoices are paid; and the receipt of the EDA Grant payments follow the accounting entries outlined in the GAAP Technical Manual and are not repeated here. For guidance on these entries please refer to Chapter 5-Budgeting, and Chapter 11-Capital Projects Fund.

Example 2: Local support amount is being funded with a bond referendum, capital reserve and surplus. (For purposes of this illustration, the bonds are issued at face. For the procedures to follow when bonds are issued at a discount or premium see Chapter 11 of the GAAP Technical Manual.)

The district has followed all regulatory requirements regarding facilities and the voters have approved the construction of a new elementary school for a total project cost of \$6,500,000. As required, the referendum included the following breakdown of funding sources:

\$5,000,000 – Sale of Bonds
 \$1,000,000 – EDA Grant
 \$ 400,000 – Capital Reserve
 \$ 100,000 – Surplus

September 1st

The bonds are issued at face value of \$5,000,000 and there is no accrued interest. (For information on accounting for accrued interest on bonds, see Chapter 11 of the GAAP Technical Manual.) The funds will be received on September 15th. For purposes of this example, the accounting entries for recording interest earned on the temporary investment of the bond proceeds are not shown, nor are the corresponding entries in the Debt Service Fund illustrated. These entries are illustrated in Chapter 11 of the GAAP Technical Manual.

- To establish the capital projects fund and record the budget:

Dr. Estimated Revenues (30-301)	6,500,000	
Cr. Appropriations (30-601)		6,500,000

Postings:

Revenue Ledger – Estimated Revenue		
Sale of Bonds-Bond Principal (30-5110-000)		5,000,000
Additional State School Building Aid-		
EDA Grant (30-3255-000)		1,000,000
Interfund Transfer (30-5200-000)		500,000

Expenditure Ledger – Appropriations		
Other Purchased Professional Services (30-000-401-390)		500,000
Construction Services (30-000-401-450)		5,300,000
General Supplies (30-000-401-610)		200,000
Other Objects (30-000-401-800)		500,000

- To record the transfer of surplus and capital reserve in the General Fund:

Dr. Expenditures (10-602)	500,000	
Cr. Cash (10-101)		500,000

General Fund Postings:

Expenditure Ledger – Expenditures		
Capital Reserve Transfer to Capital Projects (12-000-400-931)		400,000
Current Capital Outlay Transfer to		
Capital Projects (12-000-400-932)		100,000

Example 3: District receives a retroactive EDA grant for a project that was fully funded locally and completed in 00-01. The project involved renovations to a building that included space for both kindergarten and grades 1 through 5. The project cost \$400,000; \$300,000 was expended in Fund 12 and \$100,000 of costs were

expended in the Early Childhood program. The district receives an EDA Grant for \$100,000 in October 2001.

- To record the receipt of the retroactive EDA Grant:

Dr. Cash (10-101)	100,000	
Cr. Revenues (10-302)		100,000

Postings:

Revenue Ledger – Actual Revenues		
Miscellaneous Unrestricted State Aid (10-3XXX-000)		100,000

- To budget the transfer to Special Revenue for the Early Childhood portion of the grant:

Dr. Budgeted Fund Balance (10-303)	25,000	
Cr. Appropriations (10-601)		25,000

Postings:

Expenditure Ledger – Appropriations		
Local Contribution-		
Transfer to Special Revenue (10-110-100-930)		25,000

- To record the transfer to Special Revenue:

Dr. Expenditures (10-602)	25,000	
Cr. Cash (10-101)		25,000

Postings:

Expenditure Ledger – Expenditures		
Local Contribution-		
Transfer to Special Revenue (10-110-100-930)		25,000

- To record receipt of the funds in the Special Revenue Fund:

Dr. Cash (20-101)	25,000	
Cr. Revenues (20-302)		25,000

Postings:

Revenue Ledger – Actual Revenues		
Transfers from General Fund-		
Preschool/Kindergarten (20-5200-000)		25,000

Example 4: District completed a minor renovation project in 00-01 that was completely funded locally. In October 2001, the District receives a retroactive EDA grant of \$100,000 for the project. The district anticipates future projects and decides to deposit the retroactive funding into the capital reserve:

- To record receipt of the grant and deposit into capital reserve:

Dr. Estimated Revenues (10-301)	100,000	
Cr. Increase in Capital Reserve (10-604)		100,000

Postings:

Revenue Ledger – Estimated Revenues		
Miscellaneous Unrestricted State Aid (10-3XXX-000)		100,000

Dr. Capital Reserve Account (10-116)	100,000	
Cr. Revenues (10-302)		100,000

Postings:

Revenue Ledger – Actual Revenues		
Miscellaneous Unrestricted State Aid (10-3XXX-000)		100,000

Example 5: District completed a renovation project in 00-01 that was funded partially with bond anticipation notes (\$200,000) and partially with capital reserve withdrawal (\$300,000) and current capital outlay appropriations (400,000).

Following Department guidance available at the time, the district recorded \$700,00 of the costs in the Capital Outlay Fund (12) and the remaining \$200,000 was recorded in the Capital Projects Fund (30). The bond anticipation notes were correctly recorded as a current liability in the Capital Projects Fund, resulting in a year-end deficit in the Capital Projects Fund.

The Capital Projects Fund had opening balances as follows:

<u>A/C</u>	<u>DR.</u>	<u>CR.</u>
451 Loans Payable		200,000
770 Unreserved Fund Balance	200,000	

On October 15th the district receives an EDA Grant for \$200,000. The following entries should be made in the Capital Projects Fund:

- To record receipt of the grant:

Dr. Cash (30-101)	200,000	
Cr. Revenues (30-302)		200,000

Postings:

Revenue Ledger – Actual Revenue		
Additional State School Building Aid- EDA Grant (30-3255-000)		200,000

- To record payment of the short term notes:

Dr. Loans Payable (30-451)	200,000	
Cr. Cash (30-101)		200,000

When the budgetary accounts are closed at year-end, account 30-302 will be closed out to 30-770 and there will be no balances in fund 30 (assuming no other activity in this fund).